

## CITY OF SULPHUR, LA.

## Annual Financial Report and Independent Auditors' Report

Year Ended June 30, 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/29/03

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**GRAGSON, CASIDAY & GUILLORY, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

October 1, 2002

To the Members of the City Council  
City of Sulphur, Louisiana

We have audited the accompanying primary government financial statements of City of Sulphur, Louisiana, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of City of Sulphur, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements present fairly, in all material respects, the financial position of the primary government of City of Sulphur, Louisiana, as of June 30, 2002, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements, because they do not include the financial data of component units of City of Sulphur, Louisiana, do not purport to, and do not, present fairly the financial position of City of Sulphur, Louisiana, as of June 30, 2002, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules and supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of City of Sulphur, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

City of Sulphur, Louisiana  
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In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2002 on our consideration of City of Sulphur, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Dragson, Casiday & Guillory*

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

CITY OF SULPHUR, LA.  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2002

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>ASSETS AND OTHER DEBITS</b>				
Cash and cash equivalents	\$ 11,122,094	\$ -	\$ 2,219,070	\$ 7,709,206
Investments	-	-	1,794,480	-
Receivables (Net):				
Accounts	492,420	-	-	128,978
Special assessments	-	-	370,211	-
Interest	-	-	40,413	-
Sales tax	-	687,306	-	-
Other	-	-	-	-
Inventories	31,275	-	-	-
Prepaid expenses	-	-	-	-
Restricted assets:				
Cash and cash equivalents - customer deposits	-	-	-	-
Fixed assets - net	-	-	-	-
Other debits:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of long-term debt	-	-	-	-
Amount to be provided from general government resources	-	-	-	-
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<u>\$ 11,645,789</u>	<u>\$ 687,306</u>	<u>\$ 4,424,174</u>	<u>\$ 7,838,184</u>

See accompanying notes.

Continued

Proprietary Fund Types		Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	General Fixed Assets	General Long-Term Assets	2002	2001
\$ 3,818,755	\$ 1,915,464	\$ -	\$ -	\$ 26,784,589	\$ 25,369,184
-	-	-	-	1,794,480	1,748,240
297,513	-	-	-	918,911	833,079
-	-	-	-	370,211	308,445
-	-	-	-	40,413	43,107
-	-	-	-	687,306	854,634
25,476	-	-	-	25,476	25,252
52,081	-	-	-	83,356	50,789
-	11,347	-	-	11,347	11,347
125,245	-	-	-	125,245	119,141
32,687,609	-	15,675,554	-	48,363,163	46,784,236
-	-	-	4,066,447	4,066,447	2,849,692
-	-	-	1,165,234	1,165,234	2,348,529
-	-	-	17,239	17,239	36,391
<u>\$ 37,006,679</u>	<u>\$ 1,926,811</u>	<u>\$ 15,675,554</u>	<u>\$ 5,248,920</u>	<u>\$ 84,453,417</u>	<u>\$ 81,382,066</u>



CITY OF SULPHUR, LA.  
Combined Balance Sheet  
All Fund Types and Account Groups (Continued)  
June 30, 2002

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES				
Accounts payable	\$ 272,588	\$ -	\$ 263	\$ 345,898
Accrued liabilities	415,613	-	-	-
Accrued compensated absences	-	-	-	-
Payable from restricted assets:				
Meter deposits	-	-	-	-
Deferred revenue	-	-	264,122	-
General obligation bonds payable	-	-	-	-
Special assessment bonds payable	-	-	-	-
Obligations under capital leases	-	-	-	-
Total Liabilities	<u>688,201</u>	<u>9,353</u>	<u>264,385</u>	<u>345,898</u>
EQUITY AND OTHER CREDITS				
Contributed Capital	-	-	-	-
Investment in general fixed assets	-	-	-	-
Retained earnings:				
Designated for catastrophic losses	-	-	-	-
Unreserved	-	-	-	-
Designated for depreciation	-	-	-	-
Fund balances:				
Reserved for debt service	-	-	4,066,447	-
Designated for solid waste	-	-	-	-
Unreserved, undesignated	10,957,588	677,953	93,342	7,492,286
Total Equity and Other Credits	<u>10,957,588</u>	<u>677,953</u>	<u>4,159,789</u>	<u>7,492,286</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$ 11,645,789</u>	<u>\$ 687,306</u>	<u>\$ 4,424,174</u>	<u>\$ 7,838,184</u>

See accompanying notes.

<u>Proprietary Fund Types</u>		<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>	
<u>Enterprise</u>	<u>Internal Service</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>2002</u>	<u>2001</u>
\$ 51,171	\$ 75,611	\$ -	\$ -	\$ 754,884	\$ 810,842
66,590	-	-	-	482,203	619,475
91,812	-	-	8,462	100,274	113,036
125,245	-	-	-	125,245	119,141
-	-	-	-	264,122	230,063
-	-	-	4,695,199	4,695,199	4,705,000
-	-	-	536,482	536,482	493,221
-	-	-	8,777	8,777	15,167
<u>334,818</u>	<u>75,611</u>	<u>-</u>	<u>5,248,920</u>	<u>6,967,186</u>	<u>7,105,945</u>
38,608,640	-	-	-	38,608,640	38,922,917
-	-	15,675,554	-	15,675,554	13,005,159
-	1,851,200	-	-	1,851,200	1,581,273
(2,936,779)	-	-	-	(2,936,779)	(2,040,862)
1,000,000	-	-	-	1,000,000	1,000,000
-	-	-	-	4,066,447	2,849,692
-	-	-	-	-	401,264
-	-	-	-	19,221,169	18,556,678
<u>36,671,861</u>	<u>1,851,200</u>	<u>15,675,554</u>	<u>-</u>	<u>77,486,231</u>	<u>74,276,121</u>
<u>\$ 37,006,679</u>	<u>\$ 1,926,811</u>	<u>\$ 15,675,554</u>	<u>\$ 5,248,920</u>	<u>\$ 84,453,417</u>	<u>\$ 81,382,066</u>

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SULPHUR, LA.  
Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances –  
All Governmental Fund Types  
Year Ended June 30, 2002

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>REVENUES</b>					
Taxes	\$ 2,254,246	\$ 8,976,747	\$ -	\$ -	\$ 11,230,993
Licenses and permits	754,786	-	-	-	754,786
Intergovernmental	636,597	-	-	1,251,572	1,888,169
Charges for services	762,209	-	-	-	762,209
Fines and forfeitures	250,470	-	-	-	250,470
Other:					
Special Assessment	-	-	141,519	-	141,519
Interest	284,847	-	222,405	153,341	660,593
Miscellaneous	796,965	-	-	10,432	807,397
Total Revenues	<u>5,740,120</u>	<u>8,976,747</u>	<u>363,924</u>	<u>1,415,345</u>	<u>16,496,136</u>
<b>EXPENDITURES</b>					
General and administrative	1,287,728	69,006	-	-	1,356,734
Streets and parks	2,087,938	-	-	-	2,087,938
Fire	2,614,281	-	-	-	2,614,281
Police	2,845,320	-	-	-	2,845,320
Inspection/animal control	366,675	-	-	-	366,675
Shop	248,019	-	-	-	248,019
Capital outlay	-	-	117,946	6,115,226	6,233,172
Debt service:					
Principal retirement	6,390	-	1,582,235	-	1,588,625
Interest and fiscal charges	1,507	-	289,578	-	291,085
Total Expenditures	<u>9,457,858</u>	<u>69,006</u>	<u>1,989,759</u>	<u>6,115,226</u>	<u>17,631,849</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	<u>(3,717,738)</u>	<u>8,907,741</u>	<u>(1,625,835)</u>	<u>(4,699,881)</u>	<u>(1,135,713)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	5,221,239	-	2,746,298	3,868,149	11,835,686
Operating transfers out	(1,751,264)	(9,084,422)	-	-	(10,835,686)
Proceeds from issuance of debt	-	-	140,496	1,475,199	1,615,695
Total Other Financing Sources (Uses)	<u>3,469,975</u>	<u>(9,084,422)</u>	<u>2,886,794</u>	<u>5,343,348</u>	<u>2,615,695</u>

See accompanying notes.

Continued

CITY OF SULPHUR, LA.  
Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances –  
All Governmental Fund Types (Continued)  
Year Ended June 30, 2002

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ (247,763)	\$ (176,681)	\$ 1,260,959	\$ 643,467	\$ 1,479,982
FUND BALANCE – BEGINNING OF YEAR	<u>11,205,351</u>	<u>854,634</u>	<u>2,898,830</u>	<u>6,848,819</u>	<u>21,807,634</u>
FUND BALANCE – END OF YEAR	<u>\$ 10,957,588</u>	<u>\$ 677,953</u>	<u>\$ 4,159,789</u>	<u>\$ 7,492,286</u>	<u>\$ 23,287,616</u>

See accompanying notes.

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SULPHUR, LA.  
Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances – Budget and Actual (GAAP Basis)  
General and Special Revenue Bonds  
Year Ended June 30, 2002

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Taxes	\$ 2,158,700	\$ 2,254,246	\$ 95,546
Licenses and permits	631,540	754,786	123,246
Intergovernmental	445,000	636,597	191,597
Charges for services	710,000	762,209	52,209
Fines and forfeitures	152,000	250,470	98,470
Other:			
Interest	600,000	284,847	(315,153)
Miscellaneous	110,304	796,965	686,661
Total Revenues	<u>4,807,544</u>	<u>5,740,120</u>	<u>932,576</u>
EXPENDITURES			
General and administrative	1,486,530	1,287,728	198,802
Streets and parks	2,260,802	2,087,938	172,864
Fire	2,763,950	2,614,281	149,669
Police	2,922,269	2,845,320	76,949
Inspection/animal control	385,450	366,675	18,775
Shop	259,045	248,019	11,026
Sanitation	-	-	-
Debt services			
Principal retirement	-	6,390	(6,390)
Interest and fiscal charges	-	1,507	(1,507)
Total Expenditures	<u>10,078,046</u>	<u>9,457,858</u>	<u>620,188</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,270,502)</u>	<u>(3,717,738)</u>	<u>1,552,764</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	5,270,502	5,221,239	(49,263)
Operating transfers out	(1,350,000)	(1,751,264)	(401,264)
Total Other Financing Sources (Uses)	<u>3,920,502</u>	<u>3,469,975</u>	<u>(450,527)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(1,350,000)	(247,763)	1,102,237
FUND BALANCE – BEGINNING OF YEAR	<u>11,205,351</u>	<u>11,205,351</u>	<u>-</u>
FUND BALANCE – END OF YEAR	<u>\$ 9,855,351</u>	<u>\$ 10,957,588</u>	<u>\$ 1,102,237</u>

See accompanying notes.

Special Revenue Fund		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 9,216,000	\$ 8,976,747	\$ (239,253)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>9,216,000</u>	<u>8,976,747</u>	<u>(239,253)</u>
70,000	69,006	994
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>70,000</u>	<u>69,006</u>	<u>994</u>
<u>9,146,000</u>	<u>8,907,741</u>	<u>(238,259)</u>
-	-	-
<u>9,146,000</u>	<u>(9,084,422)</u>	<u>61,578</u>
<u>9,146,000</u>	<u>(9,084,422)</u>	<u>61,578</u>
-	(176,681)	(176,681)
<u>854,634</u>	<u>854,634</u>	<u>-</u>
<u>\$ 854,634</u>	<u>\$ 677,953</u>	<u>\$ (176,681)</u>

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SULPHUR, LA.  
Combined Statement of Revenues, Expenses  
and Changes in Retained Earnings (Deficit) –  
Proprietary Fund Types  
Year Ended June 30, 2002

	<u>Internal Service Fund</u>	<u>Enterprise Fund</u>
OPERATING REVENUES		
Water	\$ -	\$ 1,362,286
Sewer	-	1,608,915
Water and sewer taps	-	16,055
Penalties	-	67,028
Charges and fees	<u>460,169</u>	<u>-</u>
Total Operating Revenues	<u>460,169</u>	<u>3,054,284</u>
OPERATING EXPENSES		
General and administrative	234,487	319,321
Water department	-	829,089
Sewer department	-	1,128,607
Depreciation	<u>-</u>	<u>1,102,929</u>
Total Operating Expenses	<u>234,487</u>	<u>3,379,946</u>
OPERATING INCOME (LOSS)	225,682	(325,662)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	<u>44,245</u>	<u>115,468</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>269,927</u>	<u>(210,194)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	-	300,000
Operating transfers out	<u>-</u>	<u>(1,300,000)</u>
Total Other Financing Source (Uses)	<u>-</u>	<u>(1,000,000)</u>
NET INCOME (LOSS)	269,927	(1,210,194)
Depreciation on Fixed Assets Acquired With Externally Restricted Capital Contributions	<u>-</u>	<u>314,277</u>
Increase (Decrease) in Retained Earnings	269,927	(895,917)
RETAINED EARNINGS (DEFICIT) – BEGINNING OF YEAR	<u>1,581,273</u>	<u>(1,040,862)</u>
RETAINED EARNINGS (DEFICIT) – END OF YEAR	<u>\$ 1,851,200</u>	<u>\$ (1,936,779)</u>

See accompanying notes.

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SULPHUR, LA.  
Combined Statement of Cash Flows –  
Proprietary Fund Types  
Year Ended June 30, 2002

	<u>Internal Service Fund</u>	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 225,682	\$ (325,662)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Depreciation	-	1,102,929
(Increase) decrease in accounts receivable	-	(33,828)
(Increase) decrease in inventory	-	(10,107)
Increase (decrease) in accounts payable and accrued expenses	<u>36,462</u>	<u>(4,258)</u>
Net Cash From Operating Activities	<u>262,144</u>	<u>729,074</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Operating transfers – in	-	300,000
Operating transfers – out	<u>-</u>	<u>(1,300,000)</u>
Net Cash From Non Capital Financing Activities	<u>-</u>	<u>(1,000,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	<u>-</u>	<u>(11,461)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	<u>44,245</u>	<u>115,468</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	306,389	(166,919)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>1,609,075</u>	<u>4,110,919</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 1,915,464</u>	<u>\$ 3,944,000</u>
Cash and Equivalents – Unrestricted/Designated	\$ 1,915,464	\$ 3,818,755
Cash and Equivalents – Restricted	<u>-</u>	<u>125,245</u>
	<u>\$ 1,915,464</u>	<u>\$ 3,944,000</u>

See accompanying notes.



CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2002

Note A - Summary of Significant Accounting Policies

The City of Sulphur, LA. was incorporated under the provisions of the State of Louisiana LA R.S. 33:321-481. The City operates under a home rule charter.

The financial statements of the City of Sulphur, Louisiana have been prepared in conformity with generally accepted accounting policies (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Standards No. 14, the City of Sulphur, LA. is the financial reporting entity. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body and
  - a. The ability of the City of Sulphur, LA. to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City of Sulphur, LA.
2. Organizations for which the City of Sulphur, LA. does not appoint a voting majority but are fiscally dependent on the City of Sulphur, LA.
3. Organizations for which the reporting entity financial statements could be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based upon the application of these criteria, the following component units are to be included in the City's reporting entity:

The City Court of Sulphur for Ward 4  
The City Marshall of Sulphur for Ward 4

The West Calcasieu Airport Managing Board, a joint service agreement, and the Housing Authority of the City of Sulphur, a related organization, is also to be included in the City's reporting entity.

Only the primary government's financial information is included in these financial statements. Information on how to obtain component unit financial statements can be obtained by contacting the Director of Finance for the City of Sulphur, LA.

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2002

Note A - Summary of Significant Accounting Policies (Continued):

2. Fund Accounting

The City of Sulphur, LA. uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable financial resources. The following funds and groups of accounts are used by the City:

Governmental Funds:

Governmental funds are used to account for all or most of the City's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term obligations. Governmental funds include:

General Fund – the general operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Special Revenue Funds – account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Funds – account for the accumulation of resources for, and the payment of, general long-term debt and interest, and special assessment debt.

Capital Projects Funds – account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds:

Proprietary funds are used to account for the activities similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

Enterprise Fund – accounts for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer services to be general public on a continuing basis is financed through user charges.

Internal Service Fund – accounts for the financing of services provided by one department to the other departments of the City on a cost reimbursement basis.

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2002

Note A – Summary of Significant Accounting Policies (Continued):

General Fixed Assets and General Long-Term Debt Account Groups:

The General Fixed Assets Account Group – accounts for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. No depreciation is recorded on general fixed assets.

The General Long-Term Debt Account Group – accounts for long-term liabilities to be financed from governmental funds. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due.

3. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, principal and interest on general long-term debt are recognized as current fund liabilities and expenditures when they become due.

Those revenues susceptible to accrual include property taxes, special assessments, charges for services interest revenue, and intergovernmental grants. Taxpayer-assessed sales, gross receipts, and licenses, taxes and revenues from most forms of fines and permits are not susceptible to accrual, as they are usually not measurable until actually received.

All proprietary funds are accounted for using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Services for water and sewer are recorded as revenue when billed to customers on a monthly route reading cycle. At the end of the year, utilities services that have not been rendered from the latest date of each route reading cycle to year-end, which are unbilled, are accrued for financial reporting purposes.

Proprietary funds are reported in accordance with GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Funds". This standard requires that all applicable Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research issued on or before November 30, 1989 be applied to proprietary activities unless they conflict with or contradict GASB pronouncements.

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2002

Note A – Summary of Significant Accounting Policies (Continued):

Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The City has elected not to implement FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

4. Budgets and Budgetary Accounting

The City annually adopts and implements an operating and capital budget in accordance with requirements of state law for the General Fund and all Special Revenue and Proprietary Funds. The Capital Projects Fund's budget is a project based capital budget. Policies and procedures with respect to budgetary control are as follows.

No later than sixty days prior to the beginning of each fiscal year, the Mayor submits a budget to the City Council. The budget is prepared by fund, function and activity and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated or the revenue estimates must be changed by an affirmative vote of a majority of the City's council. The budget presented is as amended by the City Council.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Funds.

In accordance with generally accepted accounting principles, outstanding encumbrances at year end for which goods or services are received are reclassified to expenditures and accounts payable. All other encumbrances in the annual budgeted funds are reversed at year end and are either canceled or are included as reappropriations of fund balance for the subsequent year. Encumbrances at year end in funds that are budgeted on a project basis, including Enterprise Fund construction projects, are carried forward along with their related appropriations and are not subject to an annual cancellation and reappropriations.

6. Deposits and Investments

Deposits

Deposits include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

State statutes authorize the City to invest in obligations of the U.S. Treasury, U.S. Government Agencies, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana, as stipulated in R.S. 39:1271, or any other federally insured investment. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a non profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana which generates a local government investment pool.

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2002

Note A – Summary of Significant Accounting Policies (Continued):

Governmental Accounting Standards Board Statement 3 (GASB-3) concludes that deposits with financial institutions should be evaluated for risk and classified in one of the three following categories:

Category 1 – Insured or collateralized with securities held by the government entity or by the agent in the name of the governmental entity.

Category 2 – Collateralized with securities held by the pledging institution's trust department or agent in the governmental entity's name.

Category 3 – Uncollateralized, including any deposits collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the governmental entity's name.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2002, the City has \$26,900,624 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$26,800,624 of pledged securities held by the custodial bank in the name of the fiscal agent bank (Category 1).

Investments

The City's investments are categorized above in accordance with GASB Statement No. 3 to give an indication of the level of risk assumed at year end. The City's investment program is limited to purchases of securities issued or guaranteed by the U.S. government and its agencies.

Carrying amounts at June 30, 2002 were as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Treasury and agency obligations held by the City or the City's agent in the City's name (Category 1)	<u>\$ 1,794,480</u>	<u>\$ 1,794,480</u>

7. Cash Flows Statement

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.



CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2002

Note A – Summary of Significant Accounting Policies (Continued):

8. Accounts Receivable

Uncollectible amounts due for ad valorem taxes and other receivables of governmental funds are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectible.

The City utilizes the allowance method for proprietary funds to recognize doubtful accounts. The allowance for doubtful accounts at June 30, 2002 was \$54,228.

There appears to be concentration of credit risk with regard to general accounts receivable and more specifically accounts receivable for water and sewer user fees in the Enterprise Fund. The City's ability to collect the amounts due from the users of the City water and sewer system and others (as reflected on the financial statements) may be affected by significant economic fluctuations, natural disaster or other calamity in this one concentrated geographic location.

9. Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

10. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets in the general fixed assets account group are not depreciated.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the public.

Fixed assets in the proprietary fund operations are included on the balance sheet of the fund, net of accumulated depreciation. Depreciation of all exhaustible fixed assets used by the proprietary fund operations is charged as an expense against operations. The City utilizes the straight-line method of depreciation over the following estimated useful lives:

	<u>LIFE</u>
Computer equipment	5 years
Furniture & equipment	5 - 7 years
Property & plant	15 - 50 years
Transportation & equipment	5 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2002

Note A- Summary of Significant Accounting Policies (Continued):

11.      Compensated Absences

Vested or accumulated vacation leave and sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave and sick pay that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group, \$8,462 is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

Sick leave accrues to full time, permanent employees to specified maximums. Generally, employees are entitled to a percentage of their sick leave balance upon termination if the retirement criteria of the City's municipal retirement system are satisfied.

12.      Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriated for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

13.      Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

14.      Total Columns on Combined Statements - Overview

Total columns on the combined financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

15.      Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2002

Note B - Property Taxes

For the year ended June 30, 2002, taxes of 14.46 were levied on property with net assessed valuations totaling \$77,492,930, and were dedicated as follows:

General purposes	5.70 mills
Streets - maintenance	4.38 mills
Fire - maintenance	4.38 mills
Total taxes levied were	<u>\$1,120,548</u>

The City is permitted by ordinance to levy taxes up to 16.5 mills of assessed valuation for general governmental services. The general purpose millage is perpetual, while the streets and fire maintenance millages are for a ten year duration and expire in 2005. Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31st. Property taxes not paid by the end of February are subject to lien.

Note C – Changes in Fixed Assets

A. General Fixed Assets

A summary of changes in general fixed assets for the year ended June 30, 2002, follows:

	Beginning of Year	Additions	Deletions	Adjustments/ Transfer	End of Year
Land	\$ 2,360,569	\$ -	\$ (98,200)	\$ -	\$ 2,262,369
Buildings	2,495,747	-	-	-	2,495,747
Furniture and Equipment	3,328,241	49,347	(118,972)	-	3,258,616
Transportation Equipment	2,427,775	146,498	(171,390)	-	2,402,883
Construction In Progress	<u>2,392,827</u>	<u>2,878,794</u>	<u>-</u>	<u>(15,682)</u>	<u>5,255,939</u>
Total	<u>\$ 13,005,159</u>	<u>\$ 3,074,639</u>	<u>\$ (388,562)</u>	<u>\$ (15,682)</u>	<u>\$ 15,675,554</u>

Transfers are related to the completion of proprietary fund construction and renovation projects.

The construction in progress consists of the following projects:

	Total Budgeted	Construction In Progress
Verdine Plant Line	\$ 725,000	\$ 695,360
Wastewater Flowmeters	75,000	28,043
Water Distribution	950,000	569,786
Elevated Tank	950,000	868,061
Rosepark Force Main	600,000	413,997
Wastewater Plant Expansion	20,000,000	1,739,572
Various Projects – 1999	20,000	17,986
City Hall Renovations	550,000	187,346
GIS Mapping	362,875	362,875
Manhole Rehab	100,000	89,715
Wastewater Rehab	300,000	44,084
North Plant Pressure Filter	200,000	22,741
Waterline Valves	75,000	7,031
Pump Station Scada	225,000	19,256
Various Projects 2001-02	<u>200,000</u>	<u>190,086</u>
Total	<u>\$ 25,332,875</u>	<u>\$ 5,255,939</u>

GRACSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS



CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2002

Note C – Changes in Fixed Assets – Continued

B. Proprietary Fund Fixed Assets

The following is a summary of the proprietary fund fixed assets as of June 30:

	2002	2001
Property and plant	\$ 45,343,684	\$ 45,343,684
Furniture and equipment	1,278,035	1,306,279
Transportation equipment	<u>205,609</u>	<u>208,198</u>
	46,827,328	46,858,161
Less allowance for accumulated depreciation	<u>(14,139,719)</u>	<u>(13,079,084)</u>
Totals	<u>\$ 32,687,609</u>	<u>\$ 33,779,077</u>

Depreciation expense was \$1,102,929 for the year ended June 30, 2002.

Note D - Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2002:

	Beginning of Year	Issued	Retired	End of Year
Bonds payable:				
General Obligation	\$ 4,705,000	\$ 1,475,199	\$ (1,485,000)	\$ 4,695,199
Special Assessments	493,221	140,496	(97,235)	536,482
Accrued Leave Benefits	21,224	-	(12,762)	8,462
Capital Lease Obligations	<u>15,167</u>	<u>-</u>	<u>(6,390)</u>	<u>8,777</u>
Total	<u>\$ 5,234,612</u>	<u>\$ 1,615,695</u>	<u>\$ (1,601,387)</u>	<u>\$ 5,248,920</u>

Bonds payable at June 30, 2002 are comprised of the following individual issues:

General Obligation Bonds:

\$13,150,000 Public improvement refunding bonds dated 02/10/93; due in varying annual installments of \$915,000 - \$1,655,000 through October 1, 2004; interest at varying rates from 3.45% - 5.65% (This issue secured by a pledge of the City's 2% sales and use tax) \$ 3,220,000

\$12,000,000 payable to the Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA) dated October 24, 2001, due in varying monthly installments through January 1, 2030, interest at varying rates. Through June 30, 2002, a total of \$1,475,199 was advanced against this loan. 1,475,199

Special Assessment Bonds:

\$142,839 Paving Project 1992-1 dated 08/01/92; due in annual installments of \$14,284 through August 1, 2002; interest at 5.85% 14,284

\$346,677 Paving Project 1993-1 dated 08/01/93; due in annual installments of \$34,667 through August 1, 2002, interest at 6% 91,677

\$109,600 Paving Project 1996-1 dated 11/12/96; due in annual installments of \$11,550 through December 1, 2006; interest 5.07% 54,799

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2002

Note D - Long-Term Debt – Continued

\$127,581 Paving Project 1997-1 dated 12/01/97; due in varying annual installments of \$13,416 - \$19,079 through December 1, 2007, interest 4.7%.	\$ 76,549
\$72,000 Paving Project 1999 -1 dated 04/01/99; due in annual installments of \$7,209 through April 1, 2009, interest at 5%	50,461
\$120,240 Paving Project 2000-1 dated 12/01/00, due in annual installments of \$12,024 through December 1, 2010, interest at 4.93%	108,216
\$140,496 Paving Project 2001-1 dated November 28, 2001, due in annual installments of \$14,049 through November 1, 2011, interest at 4.75%.	140,496
<u>Other Long-Term Debt:</u>	
Accrued Leave Payable	8,462
Capital Lease Obligations	<u>8,777</u>
Total Long-Term Debt	<u>\$ 5,248,920</u>

The annual requirements to amortize all debt outstanding, including interest of \$1,538,439 are as follows:

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Special Assessment Bonds</u>	<u>Other</u>	<u>Total</u>
2003	\$ 1,844,181	\$ 144,082	\$ 16,290	\$ 2,004,553
2004	1,847,324	125,091	1,579	1,973,994
2005	98,816	72,735	-	171,551
2006	98,816	70,041	-	168,857
2007	98,816	65,969	-	164,785
Thereafter	<u>2,223,361</u>	<u>80,258</u>	<u>-</u>	<u>2,303,619</u>
	<u>\$ 6,211,314</u>	<u>\$ 558,176</u>	<u>\$ 17,869</u>	<u>\$ 6,787,359</u>

The City has entered into two lease agreements as lessee for financing the acquisition of two phone systems. The economic substance of the lease is that the City is financing the acquisition of the asset through the lease, and accordingly, it is recorded in the City's assets and liabilities. The original cost of the equipment was \$28,164.

The following is a schedule by years of future minimum payments required under the lease together with their present value as of June 30, 2002:

<u>Year Ending June 30,</u>	<u>General Long-Term Debt</u>
2003	\$ 7,828
2004	<u>1,579</u>
Total minimum lease payments	9,407
Less amount representing interest	<u>(630)</u>
Present value of minimum Lease payments	<u>\$ 8,777</u>

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CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2002

Note E - Dedication of Sales Tax Proceeds

Proceeds of the 2 ½% sales and use tax levied by the City of Sulphur, LA. are dedicated to the following purposes:

After distribution of ½% to 1998 Public Improvement Bonds and 1991 capital improvement paygo fund and payment of all costs of levy and collection:

Fifty percent (50%), but not to exceed the total annual debt service on any and all bonds secured by pledge of proceeds of this fund to the City, which proceeds shall be dedicated and used for any of the following capital improvements: opening, construction, paving and improving streets, sidewalks, roads and alleys; constructing bridges, purchasing or constructing water works; sewerage and sewerage disposal works, drains, drainage canals, pumping plants, and waste disposal facilities; facilities for pollution control and abatement; water and waste water systems; halls; courthouses; auditoriums, jails, public parks and recreation facilities; other public works and/or buildings; title to which said works, buildings and improvements shall be in the public.

After payment of above costs:

1. Twenty percent (20%), but not to exceed \$300,000 annually, without subsequent approval of the Council of the City of Sulphur, Louisiana, to the Streets and Parks Department for any lawful purpose.
2. Twenty percent (20%), but not to exceed \$300,000 annually, without subsequent approval of the Council of the City of Sulphur, Louisiana, to the Public Utilities Department for any lawful purpose.
3. Fourteen percent (14%), to the General Fund of the City of Sulphur, Louisiana for operating expenses of the City and for any other lawful purpose.
4. Twenty percent (20%), but not to exceed \$300,000 annually, without subsequent approval of the Council of the City of Sulphur, Louisiana to the General Fund of the City of Sulphur, Louisiana, for salaries and salary increases to employees of the City of Sulphur, Louisiana, based on a merit and cost-of-living evaluation system.
5. Six percent (6%), but not to exceed \$90,000 annually, without subsequent approval of the Council of the City of Sulphur, Louisiana, to the Fire Department for any lawful purpose.
6. Twenty percent (20%), together with any excess portion of any of the foregoing allocations, to a reserve and match money fund, which fund shall be used first to satisfy any bond issue or bond indenture requirements, and after said bond indenture requirements have been satisfied, any excess funds to be used as 'matching money' for any state and federal grant program or for any lawful corporate purpose at the discretion of the City of Sulphur, Louisiana.

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2002

Note F - Contributed Capital

During the year, contributed capital changed by the following amounts:

Depreciation of fixed assets acquired by funds externally restricted for capital expenditures	\$ (314,277)
Contributed Capital, Beginning	<u>38,922,917</u>
Contributed Capital, Ending	<u>\$ 38,608,640</u>

Note G - Retained Earnings (Deficit)

Deficit retained earnings balance of the enterprise fund at June 30, 2002 was \$1,936,779. The deficit consists entirely of accumulated depreciation. The deficit will be reduced by future operating income.

Note H – Retirement Commitments

The City participates in three state-administered cost-sharing multiple-employer retirement systems, which together cover substantially all of the City's full-time employees: Municipal Employees Retirement System, Municipal Police Employees' Retirement System and Firefighters' Retirement System of the State of Louisiana. Although separately administered by their respective boards of trustees, these systems are established and regulated by acts of the Louisiana Legislature with respect to membership and contribution requirements, plan benefits, and actuarial determination of funding requirements as provided by the state constitution. Additional disclosures with respect to the City's participation in these systems are provided below.

Municipal Employees' Retirement System

The System is composed of two district plans, Plan A and Plan B, with separate assets and benefit provisions. Employees of the City are members of Plan A. Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week, not participating in another public funded retirement system and under age sixty (60) at date of employment. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of credited services, at or after age 55 with 25 years of credited service, or at any age with 30 or more years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final compensation multiplied by the employee's years of credited service. Final compensation is the employee's monthly earnings during the 36 consecutive or jointed months that produce the highest average. The System also provides death and disability benefits. Benefits are established by state statute.

The Municipal Employees' Retirement System of Louisiana issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 9737 Office Park Boulevard, Baton Rouge, LA 70809.

Plan members are required to contribute 5.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 4.5% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the System's Board of Trustees. The City's contributions to the System for the year ended June 30, 2002 totaled \$182,600.

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2002

Note H – Retirement Commitments- Continued

Municipal Police Employees' Retirement System

Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement empowered to make arrest, providing they do not have to pay social security and providing they meet the statutory criteria. Employees who retire at or after age 50 with at least 20 years of credited service, or at or after age 55 with at least 12 years of credited service are entitled to a retirement benefit payable monthly for life, equal to 3-1/3 percent of their average final compensation multiplied by the employee's years of credited service. Final compensation is the employee's monthly earnings during the 36 consecutive or joined months that produce the highest average. The System also provides death and disability benefits. Benefits are established by state statute.

The Municipal Police Employee's Retirement System issues a publicly available report that includes financial statements and required supplemental information. That report may be obtained by writing to Municipal Police Employee's Retirement System, 8401 United Plaza Blvd., Suite 270, Baton Rouge, LA 70809-7017.

Plan members are required to contribute 7.5% of their annual covered salary and the City is required to contribute 9.0% as established by the state statute. The City's contributions to the System for the year ended June 30, 2002 totaled \$153,201.

Firefighters' Retirement System

Membership is mandatory as a condition of employment beginning on date employed if the employee is on a permanent basis as a firefighter, not participating in another publicly funded retirement system and under age fifty (50) at date of employment. Employees who retire at or after age 50 with at least 20 years of credited service, or at or after age 55 with at least 12 years of credited service are entitled to a retirement benefit payable monthly for life, equal to 3-1/3 percent of their average final compensation multiplied by the employee's years of credited service. Final compensation is the employee's monthly earnings during the 36 consecutive or joined months that produce the highest average. The System also provides death and disability benefits. Benefits are established by state statute.

The Firefighter's Retirement System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Firefighter's Retirement System, P.O. Box 94095 Capitol Station, Baton Rouge, LA 70804-9095.

Plan members are required to contribute 8.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 9.0% of annual covered payroll. The contribution requirements of Plan members are established and may be amended by the System's Board of Trustees. The City's contributions to the System for the year ended June 30, 2002 totaled \$165,672.

Note I- Contingencies

Amounts received or receivable from grantor agencies are *subject to* audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS



CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2002

Note J- Risk Management Obligations

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City established a limited risk management program for workers' compensation in fiscal year 1996. Premiums are paid into the internal service fund by the general and public utility funds and are available to pay claims, claim reserves, reinsurance premiums and administrative costs of the program. The surplus retained earnings resulting from charges for anticipated future catastrophic losses have been designated.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$250,000 with an aggregate claim limit of \$1,000,000. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering recent claims settlement trends including frequency and amount of pay-outs and other economic and social factors.

The liability for claims and judgments is reported in the internal service fund because it is expected to be liquidated with expendable available financial resources. Changes in the balances of claims liabilities during the past year are as follows:

Unpaid claims, beginning of fiscal year	\$ 39,149
Incurred claims (including IBNRs)	183,482
Claim payments	<u>(147,020)</u>
Unpaid claims, end of fiscal year	<u>\$ 75,611</u>

Note K- Council Members Compensation

Each council member receives monthly compensation. The following is a list of council members and their compensation for the fiscal year ended June 30, 2002:

<u>District 1</u>	
Wilmer Dugas	\$ 4,200
<u>District 2</u>	
Bill Emmons	4,200
<u>District 3</u>	
David Ritchie	4,200
<u>District 4</u>	
Dick Kennison	4,200
<u>District 5</u>	
Patricia Hemphill	4,200

The compensation paid to the Mayor for the year end June 30, 2002, is as follows:

Charles Reed, Mayor	\$ 69,476
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CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2002

Note L- Service Agreement

The City entered into an agreement with the Motor Vehicle Commissioner of the State of Louisiana to provide financial support for the cost of operating the local Department of Motor Vehicles (DMV) field office. The DMV subsidizes the cost of local operations by remitting to an account, a two-dollar per service transaction fee. The City provides an annual accounting to the DMV of income and reimbursable expenses. Funds in excess of reimbursement may be utilized for fixed asset acquisitions or offset to recover operating costs previously funded by the DMV. The accumulated funds available for asset acquisitions or cost recovery totaled \$63,268 at June 30, 2002.

Note M- Future Commitment

An administrative report has been received from the Environmental Protection Agency which mandates that the City upgrade its wastewater system. This will be done in three phases with an expected completion date of January 2004. The total estimated costs for this project is \$20,000,000. A \$12,000,000 loan has been obtained from LCDA to fund this project (see Note D).

COMBINING, INDIVIDUAL FUND AND ACCOUNT  
GROUP FINANCIAL STATEMENTS AND SCHEDULES

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS



## GENERAL FUND

To account for resources traditionally associated with government, which is not required legally or by sound financial management to be accounted for in another fund.

CITY OF SULPHUR, LA.  
General Fund  
Comparative Balance Sheet  
June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 11,122,094	\$ 11,307,135
Receivables	492,420	569,170
Inventories	<u>31,275</u>	<u>8,815</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,645,789</u>	<u>\$ 11,885,120</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 272,588	\$ 135,717
Accrued salaries and payroll taxes	199,444	201,657
Accrued vacation and comp time	216,169	240,411
Accrued payroll benefits	-	<u>101,984</u>
Total Liabilities	<u>688,201</u>	<u>679,769</u>
<b>FUND BALANCE</b>		
Designated for solid waste	-	401,264
Unreserved-undesignated	<u>10,957,588</u>	<u>10,804,087</u>
Total Fund Balance	<u>10,957,588</u>	<u>11,205,351</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 11,654,789</u>	<u>\$ 11,885,120</u>

See accompanying notes.

CITY OF SULPHUR, LA.  
General Fund  
Statement of Revenues, Expenditures and Changes  
in Fund Balance – Budget and Actual (GAAP Basis)  
Year Ended June 30, 2002  
(With Comparative Totals for June 30, 2001)

	2002			2001
	Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)	Actual On Budgetary Basis
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 1,051,000	\$ 1,146,300	\$ 95,300	\$ 1,156,643
Public utility franchise	1,107,700	1,107,946	246	1,225,790
Licenses and permits				
Licenses	593,220	688,448	95,228	622,678
Permits	38,320	66,338	28,018	46,505
Intergovernmental				
Tobacco and beer	30,000	41,410	11,410	35,943
Fire insurance	30,000	46,404	16,404	42,064
Video poker	350,000	501,561	151,561	475,049
Dare grant	35,000	47,222	12,222	42,060
Charges for services				
Sanitation	710,000	762,209	52,209	682,940
Recycling	-	-	-	-
Fines				
Court fines	152,000	249,408	97,408	242,244
DWI and drug seizures	-	1,062	1,062	4,727
Other				
Interest	600,000	284,847	(315,153)	594,273
Rentals and leases	1,800	7,446	5,646	6,532
Alien and prisoner housing	50,000	94,555	44,555	103,687
Miscellaneous	58,504	292,123	233,619	138,308
Sale of fixed assets	-	402,841	402,841	102,175
Damages and settlements received	-	-	-	181
Total Revenues	<u>4,807,544</u>	<u>5,740,120</u>	<u>932,576</u>	<u>5,521,799</u>
<b>EXPENDITURES</b>				
General and administrative	1,486,530	1,287,728	198,802	1,234,577
Streets and parks	2,260,802	2,087,938	172,864	1,483,662
Fire	2,763,950	2,614,281	149,669	2,715,707
Police	2,922,269	2,845,320	76,949	2,346,151
Drug seizure	-	-	-	317,625
Inspection/animal control	385,450	366,675	18,775	340,669
Shop	259,045	248,019	11,026	272,107
Sanitation	-	-	-	704,278
Debt service				
Principal retirement	-	6,390	(6,390)	5,660
Interest and fiscal charges	-	1,507	(1,507)	2,238
Total Expenditures	<u>10,078,046</u>	<u>9,457,858</u>	<u>620,188</u>	<u>9,422,674</u>

See accompanying notes.

Continued

CITY OF SULPHUR, LA.  
General Fund  
Statement of Revenues, Expenditures and Changes  
in Fund Balance – Budget and Actual (GAAP Basis) - Continued  
Year Ended June 30, 2002  
(With Comparative Totals for June 30, 2001)

	2002		2001	
	<u>Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual On Budgetary Basis</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (5,270,502)	\$ (3,717,738)	\$ 1,552,764	\$ (3,900,875)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	5,270,502	5,221,239	(49,263)	5,459,508
Operating transfers out	(1,350,000)	(1,751,264)	(401,264)	(1,031,072)
Total Other Financing Sources (Uses)	<u>3,920,502</u>	<u>3,469,975</u>	<u>(450,527)</u>	<u>4,428,436</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(1,350,000)	(247,763)	1,102,237	527,561
FUND BALANCE-BEGINNING OF YEAR	11,205,351	11,205,351	-	10,741,986
Increase (Decrease) for Reserve for Encumbrance	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,196)</u>
FUND BALANCE-END OF YEAR	<u>\$ 9,855,351</u>	<u>\$ 10,957,588</u>	<u>\$ 1,102,237</u>	<u>\$ 11,205,351</u>

See accompanying notes.

CITY OF SULPHUR, LA.  
General Fund  
Statement of Departmental Expenditures –  
Budget and Actual (GAAP Basis)  
Year Ended June 30, 2002  
(With Comparative Totals for June 30, 2001)

	2002			2001
	Budget	Actual	Variance Favorable (Unfavorable)	Actual on Budgetary Basis
<b>GENERAL AND ADMINISTRATIVE</b>				
Acquisitions	\$ 128,000	\$ 70,476	\$ 57,524	\$ 70,913
Advertising	11,200	6,587	4,613	7,918
Automotive	5,300	4,957	343	4,626
Business and goodwill	8,000	7,269	731	5,645
Claims settlements	50,000	5,777	44,223	6,110
Coroner and pathology	15,000	18,761	(3,761)	19,288
Dues and subscriptions	11,600	10,859	741	10,785
Employee benefits	139,807	149,259	(9,452)	133,938
Insurance	36,373	32,003	4,370	34,989
Janitorial supplies	1,600	1,564	36	1,391
Legal and professional	124,250	91,190	33,060	83,420
Office supplies	9,750	9,186	564	10,934
Operating supplies	15,150	8,849	6,301	7,515
Printing	5,000	3,794	1,206	3,885
Repairs and maintenance	18,400	10,516	7,884	35,989
Rentals	9,500	766	8,734	2,815
Salaries	736,700	716,987	19,713	665,893
Special projects	47,500	52,687	(5,187)	43,131
Tax collector fees	30,000	37,343	(7,343)	22,500
Telephone and utilities	42,900	40,789	2,111	46,445
Training	28,500	4,797	23,703	9,494
Travel	12,000	3,312	8,688	6,953
<b>TOTAL GENERAL AND ADMINISTRATIVE</b>	<b>\$ 1,486,530</b>	<b>\$ 1,287,728</b>	<b>\$ 198,802</b>	<b>\$ 1,234,577</b>
<b>STREETS AND PARKS</b>				
Acquisitions	\$ 8,000	\$ 2,871	\$ 5,129	\$ 70,996
Automotive	42,000	37,035	4,965	47,651
Employee benefits	161,750	136,117	25,633	136,500
Insurance	136,602	123,918	12,684	128,476
Janitorial supplies	1,200	1,172	28	947
Legal and professional	778,600	739,099	39,501	2,853
Office supplies	3,500	1,459	2,041	2,120
Operating supplies	84,700	76,177	8,523	94,017
Repairs and maintenance	54,750	72,214	(17,464)	60,152
Salaries	768,500	673,493	95,007	718,756
Telephone and utilities	209,500	212,663	(3,163)	210,030
Training	1,200	40	1,160	80
Travel	500	28	472	398
Uniforms	10,000	11,652	(1,652)	10,686
<b>TOTAL STREETS AND PARKS</b>	<b>\$ 2,260,802</b>	<b>\$ 2,087,938</b>	<b>\$ 172,864</b>	<b>\$ 1,483,662</b>

See accompanying notes.

CITY OF SULPHUR, LA.  
General Fund  
Statement of Departmental Expenditures –  
Budget and Actual (GAAP Basis)  
Year Ended June 30, 2002  
(With Comparative Totals for June 30, 2001)

	2002			2001
	Budget	Actual	Variable Favorable (Unfavorable)	Actual on Budgetary Basis
<b>FIRE</b>				
Acquisitions	\$ 40,000	\$ 38,181	\$ 1,819	\$ 115,900
Advertising	150	100	50	-
Automotive	32,000	27,365	4,635	26,382
Dues and subscriptions	1,200	1,026	174	1,125
Employee benefits	355,000	342,717	12,283	315,795
Insurance	196,000	202,227	(6,227)	207,056
Janitorial supplies	4,000	2,428	1,572	3,651
Legal and professional	16,900	14,055	2,845	23,265
Miscellaneous	4,000	3,753	247	7,017
Office supplies	3,500	3,179	321	2,600
Operating supplies	2,450	2,009	441	3,281
Repairs and maintenance	32,500	37,504	(5,004)	32,297
Salaries	2,005,000	1,878,102	126,898	1,907,699
Special projects	250	7,198	(6,948)	9,469
Telephone and utilities	49,000	44,500	4,500	48,858
Training	7,000	6,525	475	5,585
Travel	3,000	2,984	16	1,719
Uniforms	12,000	428	11,572	4,008
<b>TOTAL FIRE</b>	<b>\$ 2,763,950</b>	<b>\$ 2,614,281</b>	<b>\$ 149,669</b>	<b>\$ 2,715,707</b>
<b>POLICE</b>				
Acquisitions	\$ 128,000	\$ 135,054	\$ (7,054)	\$ 62,902
Advertising	1,000	482	518	30
Automotive	90,000	81,218	8,782	82,736
Crime prevention	68,800	48,563	20,237	14,342
Dues and subscriptions	1,500	1,266	234	1,468
Employee benefits	345,500	333,175	12,325	270,577
Insurance	189,819	217,677	(27,858)	166,192
Janitorial supplies	3,000	3,195	(195)	1,714
Legal and professional	15,000	3,848	11,152	13,668
Miscellaneous	2,750	-	2,750	-
Office supplies	7,500	7,197	303	6,215
Operating supplies	24,800	26,673	(1,873)	25,216
Repairs and maintenance	82,600	49,612	32,988	58,562
Salaries	1,862,000	1,849,272	12,728	1,549,911
Telephone and utilities	65,000	62,335	2,665	59,847
Training	11,500	8,887	2,613	5,809
Travel	8,000	6,425	1,575	7,982
Uniforms	15,500	10,441	5,059	18,980
<b>TOTAL POLICE</b>	<b>\$ 2,922,269</b>	<b>\$ 2,845,320</b>	<b>\$ 76,949</b>	<b>\$ 2,346,151</b>

See accompanying notes.

CITY OF SULPHUR, LA.  
General Fund  
Statement of Departmental Expenditures –  
Budget and Actual (GAAP Basis)  
Year Ended June 30, 2002  
(With Comparative Totals for June 30, 2001)

	2002			2001
	Budget	Actual	Variance Favorable (Unfavorable)	Actual on Budgetary Basis
<b>DRUG SEIZURE</b>				
Acquisitions	\$ -	\$ -	\$ -	\$ 3,388
Advertising	-	-	-	134
Automotive	-	-	-	10,344
Crime prevention	-	-	-	17,690
Employee benefits	-	-	-	34,328
Insurance	-	-	-	19,254
Office supplies	-	-	-	3,376
Operating supplies	-	-	-	466
Repairs and maintenance	-	-	-	9,607
Salaries	-	-	-	210,436
Telephone and utilities	-	-	-	4,642
Training	-	-	-	1,868
Travel	-	-	-	1,303
Uniforms	-	-	-	789
<b>TOTAL DRUG SEIZURE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 317,625</b>
<b>INSPECTION/ANIMAL CONTROL</b>				
Acquisitions	\$ 6,990	\$ 2,467	\$ 4,523	\$ 40,489
Automotive	9,000	6,756	2,244	7,523
Dues and subscriptions	800	506	294	143
Employee benefits	44,860	41,835	3,025	30,797
Insurance	22,900	25,637	(2,737)	21,168
Janitorial supplies	1,500	550	950	872
Legal and professional	6,500	7,788	(1,288)	2,761
Office supplies	1,000	769	231	940
Operating supplies	7,750	6,285	1,465	5,212
Repairs and maintenance	7,700	3,526	4,174	7,287
Telephone and utilities	9,500	6,645	2,855	7,136
Training	4,700	1,330	3,370	1,645
Travel	1,250	1,921	(671)	848
Salaries	257,500	257,322	178	211,150
Uniforms	3,500	3,338	162	2,698
<b>TOTAL INSPECTION/ ANIMAL CONTROL</b>	<b>\$ 385,450</b>	<b>\$ 366,675</b>	<b>\$ 18,775</b>	<b>\$ 340,669</b>

See accompanying notes.

CITY OF SULPHUR, LA.  
General Fund  
Statement of Departmental Expenditures –  
Budget and Actual (GAAP Basis)  
Year Ended June 30, 2002  
(With Comparative Totals for June 30, 2001)

	<u>2002</u>			<u>2001</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual on Budgetary Basis</u>
SHOP				
Acquisitions	\$ 1,000	\$ 603	\$ 397	\$ 25,024
Automotive	2,000	2,316	(316)	1,718
Employee benefits	31,455	30,689	766	28,115
Insurance	16,660	16,013	647	17,337
Janitorial supplies	300	84	216	-
Legal and professional	-	-	-	34
Miscellaneous	-	-	-	578
Operating supplies	8,130	6,497	1,633	6,070
Repairs and maintenance	1,300	881	419	959
Salaries	188,000	181,223	6,777	183,000
Telephone and utilities	6,200	5,650	550	5,954
Training	1,000	275	725	645
Uniforms	3,000	3,788	(788)	2,673
TOTAL SHOP	<u>\$ 259,045</u>	<u>\$ 248,019</u>	<u>\$ 11,026</u>	<u>\$ 272,107</u>
SANITATION				
Contractual and operational services	\$ -	\$ -	\$ -	\$ 704,278

See accompanying notes.



SPECIAL REVENUE FUND

To account for specific revenues that is legally restricted to expenditures for particular purposes.

Sales Tax Fund – To account for the receipt and use of proceeds of the City's 2 ½% sales and use tax.

CITY OF SULPHUR, LA.  
Special Revenue Fund  
Comparative Balance Sheet  
June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
ASSETS		
Sales tax receivable	\$ <u>687,306</u>	\$ <u>854,634</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 9,353	\$ -
FUND BALANCE		
Reserved	<u>677,953</u>	<u>854,634</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>687,306</u>	\$ <u>854,634</u>

See accompanying notes.

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SULPHUR, LA.  
Special Revenue Fund  
Comparative Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
REVENUES		
Sales tax	\$ 8,976,747	\$ 9,418,810
EXPENDITURES		
Professional fees	<u>69,006</u>	<u>51,463</u>
Excess of Revenues Over Expenditures	8,907,741	9,367,347
OTHER FINANCING (USES)		
Transfers to other funds	<u>(9,084,422)</u>	<u>(9,377,794)</u>
Excess (deficiency) of Revenues Over Expenditures and Other Uses	(176,681)	(10,447)
FUND BALANCE – BEGINNING OF YEAR	<u>854,634</u>	<u>865,081</u>
FUND BALANCE – END OF YEAR	<u>\$ 677,953</u>	<u>\$ 854,634</u>

See accompanying notes.

CITY OF SULPHUR, LA.  
Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual  
Year Ended June 30, 2002  
(With Comparative Totals for June 30, 2001)

	<u>2002</u>			<u>2001</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
REVENUES				
Sales tax	\$ 9,216,000	\$ 8,976,747	\$ (239,253)	\$ 9,418,810
EXPENDITURES				
Professional fees	<u>70,000</u>	<u>69,006</u>	<u>994</u>	<u>51,463</u>
Excess of Revenues Over Expenditures	9,146,000	8,907,741	(238,259)	9,367,347
OTHER FINANCING (USES)				
Transfers to other funds	<u>(9,146,000)</u>	<u>(9,084,422)</u>	<u>61,578</u>	<u>(9,377,794)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	-	(176,681)	(176,681)	(10,447)
FUND BALANCE – BEGINNING OF YEAR	<u>854,634</u>	<u>854,634</u>	<u>-</u>	<u>865,081</u>
FUND BALANCE – END OF YEAR	<u>\$ 854,634</u>	<u>\$ 677,953</u>	<u>\$ (176,681)</u>	<u>\$ 854,634</u>

See accompanying notes.

## DEBT SERVICE FUNDS

To account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

CITY OF SULPHUR, LA.  
Debt Service Funds  
Combining Balance Sheet  
June 30, 2002  
(With Comparative Totals for June 30, 2001)

	Paving Project 1992	Paving Project 1993	Public Improvement 1993
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,037	\$ 108,725	\$ 812,591
Investments	-	-	1,794,480
Assessments receivable:			
Current	-	19,468	-
Delinquent	3,945	14,602	-
Deferred	-	-	-
Interest receivable	-	-	40,413
<b>TOTAL ASSETS</b>	<u>\$ 19,982</u>	<u>\$ 142,795</u>	<u>\$ 2,647,484</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>			
Reserve for debt service	14,284	91,677	2,647,484
Unreserved	5,698	51,118	-
<b>Total Fund Balance</b>	<u>19,982</u>	<u>142,795</u>	<u>2,647,484</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 19,982</u>	<u>\$ 142,795</u>	<u>\$ 2,647,484</u>

See accompanying notes.

<u>Paving Projects 1996-1999</u>	<u>Paving Projects 2000</u>	<u>Wastewater Plant</u>	<u>2002 Totals</u>	<u>2001 Totals</u>
\$ 176,806	\$ 90,432	\$ 1,014,479	\$ 2,219,070	\$ 1,067,045
-	-	-	1,794,480	1,748,240
18,549	21,001	-	59,018	41,809
23,243	5,281	-	47,071	36,573
80,224	183,898	-	264,122	230,063
-	-	-	40,413	43,107
<u>\$ 298,822</u>	<u>\$ 300,612</u>	<u>\$ 1,014,479</u>	<u>\$ 4,424,174</u>	<u>\$ 3,166,837</u>
\$ 263	\$ -	\$ -	\$ 263	\$ 37,944
80,224	183,898	-	264,122	230,063
<u>80,487</u>	<u>183,898</u>	<u>-</u>	<u>264,385</u>	<u>268,007</u>
181,809	116,714	1,014,479	4,066,447	2,849,692
36,526	-	-	93,342	49,138
<u>218,335</u>	<u>116,714</u>	<u>1,014,479</u>	<u>4,159,789</u>	<u>2,898,830</u>
<u>\$ 298,822</u>	<u>\$ 300,612</u>	<u>\$ 1,014,479</u>	<u>\$ 4,424,174</u>	<u>\$ 3,166,837</u>

CITY OF SULPHUR, LA.  
Debt Service Funds  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2002  
(With Comparative Totals for June 30, 2001)

	<u>Paving Project 1992</u>	<u>Paving Project 1993</u>	<u>Public Improvement 1993</u>
REVENUES			
Assessment levies	\$ -	\$ 20,333	\$ -
Interest on investments	338	2,681	183,215
Interest on assessments	356	1,576	-
Other income	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>694</u>	<u>24,590</u>	<u>183,215</u>
EXPENDITURES			
Debt service:			
Principal retirement	14,284	40,000	1,485,000
Interest and fiscal charges	2,023	8,325	261,737
Capital outlays	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>16,307</u>	<u>48,325</u>	<u>1,746,737</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(15,613)</u>	<u>(23,735)</u>	<u>(1,563,522)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	1,746,298
Operating transfers out	-	-	-
Proceeds from issuance of debt	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,746,298</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(15,613)	(23,735)	182,776
FUND BALANCE-BEGINNING OF YEAR	<u>35,595</u>	<u>166,530</u>	<u>2,464,708</u>
FUND BALANCE-END OF YEAR	<u>\$ 19,982</u>	<u>\$ 142,795</u>	<u>\$ 2,647,484</u>

See accompanying notes.



<u>Paving Projects 1996-1999</u>	<u>Paving Projects 2000</u>	<u>Wastewater Plant</u>	<u>2002 Totals</u>	<u>2001 Totals</u>
\$ 29,304	\$ 91,882	\$ -	\$ 141,519	\$ 88,211
4,849	2,734	14,479	208,296	335,751
6,680	5,497	-	14,109	12,370
-	-	-	-	15,117
<u>40,833</u>	<u>100,113</u>	<u>14,479</u>	<u>363,924</u>	<u>451,449</u>
30,927	12,024	-	1,582,235	1,880,211
11,565	5,928	-	289,578	380,971
-	117,946	-	117,946	116,282
<u>42,492</u>	<u>135,898</u>	<u>-</u>	<u>1,989,759</u>	<u>2,377,464</u>
<u>(1,659)</u>	<u>(35,785)</u>	<u>14,479</u>	<u>(1,625,835)</u>	<u>(1,926,015)</u>
-	-	1,000,000	2,746,298	2,152,408
-	-	-	-	(107,271)
-	140,496	-	140,496	120,240
-	140,496	1,000,000	2,886,794	2,165,377
(1,659)	104,711	1,014,479	1,260,959	239,362
<u>219,994</u>	<u>12,003</u>	<u>-</u>	<u>2,898,830</u>	<u>2,659,468</u>
<u>\$ 218,335</u>	<u>\$ 116,714</u>	<u>\$ 1,014,479</u>	<u>\$ 4,159,789</u>	<u>\$ 2,898,830</u>

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

## CAPITAL PROJECTS FUND

To account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

CITY OF SULPHUR, LA.  
Capital Projects Funds  
Combining Balance Sheet  
June 30, 2002  
(With Comparative Totals for June 30, 2001)

	1984/1985 Public <u>Improvement</u>	1992 Public <u>Improvement</u>
ASSETS		
Cash and cash equivalents	\$ 25,785	\$ 5,390,340
Accounts receivable	-	128,978
Total Assets	<u>\$ 25,785</u>	<u>\$ 5,519,318</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Cash overdraft	\$ -	\$ -
Accounts and contracts payable	-	335,766
Total Liabilities	<u>-</u>	<u>335,766</u>
FUND BALANCE		
Unreserved – undesignated	<u>25,785</u>	<u>5,183,552</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 25,785</u>	<u>\$ 5,519,318</u>

See accompanying notes.

<u>1996/1997 Public Improvement</u>	<u>2002 Totals</u>	<u>2001 Totals</u>
\$ 2,293,081	\$ 7,709,206	\$ 7,394,151
-	128,978	-
<u>\$ 2,293,081</u>	<u>\$ 7,838,184</u>	<u>\$ 7,394,151</u>
\$ -	\$ -	\$ 13,287
10,132	345,898	532,045
<u>10,132</u>	<u>345,898</u>	<u>545,332</u>
<u>2,282,949</u>	<u>7,492,286</u>	<u>6,848,819</u>
<u>\$ 2,293,081</u>	<u>\$ 7,838,184</u>	<u>\$ 7,394,151</u>

CITY OF SULPHUR, LA.  
Capital Projects Funds  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Year Ended June 30, 2002  
(With Comparative Totals for June 30, 2001)

	1984/1985 Public <u>Improvements</u>	1992 Public <u>Improvement</u>
REVENUES		
Federal and state grants	\$ 70,424	\$ 746,072
Interest	89	91,086
Other	-	10,432
Total Revenues	<u>70,513</u>	<u>847,590</u>
EXPENDITURES		
Administration	137	162,818
Construction costs	12,129	2,748,228
Engineering and other	19,175	1,249,262
Total Expenditures	<u>31,441</u>	<u>4,160,308</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>39,072</u>	<u>(3,312,718)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	-	3,266,885
Operating transfers out	-	-
Proceeds from debt issuance	-	1,475,199
Total Other Financing Source (Uses)	<u>-</u>	<u>4,742,084</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	39,072	1,429,366
FUND BALANCE (DEFICIT)-BEGINNING OF YEAR	<u>(13,287)</u>	<u>3,754,186</u>
FUND BALANCE (DEFICIT)-END OF YEAR	<u>\$ 25,785</u>	<u>\$ 5,183,552</u>

See accompanying notes.

<u>1996/1997 Public Improvements</u>	<u>2002 Totals</u>	<u>2001 Totals</u>
\$ 435,076	\$ 1,251,572	\$ -
62,166	153,341	387,242
-	10,432	16,867
<u>497,242</u>	<u>1,415,345</u>	<u>404,109</u>
20,718	183,673	10,805
1,685,203	4,445,560	2,365,104
217,556	1,485,993	689,635
<u>1,923,477</u>	<u>6,115,226</u>	<u>3,065,544</u>
<u>(1,426,235)</u>	<u>(4,699,881)</u>	<u>(2,661,435)</u>
601,264	3,868,149	3,146,450
-	-	(538,928)
-	1,475,199	-
<u>601,264</u>	<u>5,343,348</u>	<u>2,607,522</u>
(824,971)	643,467	(53,913)
<u>3,107,920</u>	<u>6,848,819</u>	<u>6,902,732</u>
<u>\$ 2,282,949</u>	<u>\$ 7,492,286</u>	<u>\$ 6,848,819</u>

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

## PROPRIETARY FUNDS

To account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the council is that the costs of providing goods or services to the general public and interfunds on a continuing basis be financed or recovered primarily through user charges or interfund charges; or where the council has decided that periodic determination of net income is appropriate for accountability purposes.

CITY OF SULPHUR, LA.  
Enterprise Fund  
Comparative Balance Sheet  
June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,818,755	\$ 3,991,778
Receivables:		
Accounts, net	297,513	263,909
Other	25,476	25,252
Inventories	52,081	41,974
Total Current Assets	<u>4,193,825</u>	<u>4,322,913</u>
RESTRICTED ASSETS		
Cash and cash equivalents/customer meter deposits	125,245	119,141
FIXED ASSETS, Net of Accumulated Depreciation	<u>32,687,609</u>	<u>33,779,077</u>
TOTAL ASSETS	<u>\$ 37,006,679</u>	<u>\$ 38,221,131</u>
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	\$ 51,171	\$ 52,700
Accrued salaries and payroll taxes	34,954	36,522
Accrued vacation and comp time	27,139	35,006
Accrued compensation absences	91,812	91,812
Meter deposits	125,245	119,141
Sales tax payable	4,497	3,895
Total Liabilities	<u>334,818</u>	<u>339,076</u>
FUND EQUITY		
Contributions:		
From municipality	26,770,212	26,770,212
From state and federal grants	11,838,428	12,152,705
Total Contributions	<u>38,608,640</u>	<u>38,922,917</u>
Retained Earnings (Deficit)		
Designated for depreciation	1,000,000	1,000,000
Unreserved – undesignated	(2,936,779)	(2,040,862)
Total Retained Earnings (Deficit)	<u>(1,936,779)</u>	<u>(1,040,862)</u>
Total Fund Equity	<u>36,671,861</u>	<u>37,882,055</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 37,006,679</u>	<u>\$ 38,221,131</u>

See accompanying notes.



CITY OF SULPHUR, LA.  
Enterprise Fund  
Comparative Statement of Revenues, Expenses  
and Changes in Retained Earnings (Deficit)  
Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
OPERATING REVENUES		
Water	\$ 1,362,286	\$ 1,264,103
Sewer	1,608,915	1,543,440
Water and sewer taps	16,055	17,850
Penalties	67,028	53,872
Total Operating Revenues	<u>3,054,284</u>	<u>2,879,265</u>
OPERATING EXPENSES		
General and administrative	319,321	290,129
Water department	829,089	882,555
Sewer department	1,128,607	1,068,042
Depreciation	1,102,929	1,180,728
Total Operating Expenses	<u>3,379,946</u>	<u>3,421,454</u>
OPERATING INCOME (LOSS)	<u>(325,662)</u>	<u>(542,189)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	115,468	205,566
Gain (loss) on asset disposition	-	60,000
Total Non-Operating Revenues (Expenses)	<u>115,468</u>	<u>265,566</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(210,194)</u>	<u>(276,623)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	300,000	300,000
Operating transfers out	(1,300,000)	(3,300)
Total Other Financing Sources (Uses)	<u>(1,000,000)</u>	<u>296,700</u>
NET INCOME (LOSS)	(1,210,194)	20,077
Depreciation on Fixed Assets		
Acquired With Externally		
Restricted Capital Contributions	<u>314,277</u>	<u>314,277</u>
Increase (Decrease) in Retained Earnings	(895,917)	334,354
RETAINED EARNINGS (DEFICIT) – BEGINNING OF YEAR	<u>(1,040,862)</u>	<u>(1,375,216)</u>
RETAINED EARNINGS (DEFICIT) – END OF YEAR	<u>\$ (1,936,779)</u>	<u>\$ (1,040,862)</u>

See accompanying notes.

CITY OF SULPHUR, LA.  
Enterprise Fund  
Comparative Statement of Cash Flows  
Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (325,662)	\$ (542,189)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Depreciation	1,102,929	1,180,728
Gain on sale of assets	-	60,000
(Increase) decrease in accounts receivable	(33,828)	(63,973)
(Increase) decrease in inventory	(10,107)	(5,213)
Increase (decrease) in accounts payable and accrued expenses	<u>(4,258)</u>	<u>8,501</u>
Net Cash From Operating Activities	<u>729,074</u>	<u>637,854</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Operating transfers – in	300,000	300,000
Operating transfers – out	<u>(1,300,000)</u>	<u>(3,300)</u>
Net Cash From Non Capital Financing Activities	<u>(1,000,000)</u>	<u>296,700</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(11,461)	(189,120)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	<u>115,468</u>	<u>205,566</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(166,919)	951,000
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>4,110,919</u>	<u>3,159,919</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u>\$ 3,944,000</u>	<u>\$ 4,110,919</u>
Cash and Equivalents – Unrestricted/Designated	\$ 3,818,755	\$ 3,991,778
Cash and Equivalents – Restricted	<u>125,245</u>	<u>119,141</u>
	<u>\$ 3,944,000</u>	<u>\$ 4,110,919</u>

See accompanying notes.

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SULPHUR, LA.  
Enterprise Fund  
Schedule of Operating Expenses  
Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
GENERAL AND ADMINISTRATIVE		
Automotive	\$ 4,791	\$ 2,513
Bad debt expense	20,598	11,518
Dues and subscriptions	-	105
Employee benefits	38,347	32,360
Insurance	15,632	15,295
Janitorial services	1,003	843
Legal and professional	19,288	21,567
Office supplies	26,193	23,705
Plant maintenance	2,464	3,970
Salaries	184,473	168,058
Supplies	1,042	5,163
Telephone and utilities	2,853	3,067
Training	639	533
Travel	1,125	1,076
Uniforms	873	356
TOTAL GENERAL AND ADMINISTRATIVE	<u>\$ 319,321</u>	<u>\$ 290,129</u>
WATER DEPARTMENT		
Automotive	\$ 7,266	\$ 10,233
Dues and subscriptions	150	325
Employee benefits	64,704	59,467
Insurance	62,390	63,260
Janitorial	87	208
Legal and professional	200	869
Miscellaneous	110	1,341
Office supplies	77	192
Permits	2,023	2,023
Plant maintenance	25,140	43,652
Plant supplies	113,774	129,334
Salaries	369,431	365,377
Telephone and utilities	177,861	201,838
Training	1,192	45
Travel	375	139
Uniforms	4,309	4,252
TOTAL WATER DEPARTMENT	<u>\$ 829,089</u>	<u>\$ 882,555</u>

See accompanying notes.

CITY OF SULPHUR, LA.  
Enterprise Fund  
Schedule of Operating Expenses  
Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
SEWER DEPARTMENT		
Automotive	\$ 6,830	\$ 14,950
Employee benefits	88,085	82,326
Insurance	54,679	58,445
Janitorial services	1,007	628
Legal and professional	4,648	7,374
Miscellaneous	3,595	1,390
Office supplies	1,037	1,574
Permits	9,108	9,148
Plant maintenance	249,374	144,867
Plant supplies	71,012	70,081
Salaries	438,218	453,429
Telephone and utilities	193,029	216,701
Training	1,197	325
Travel	358	721
Uniforms	6,430	6,083
TOTAL SEWER DEPARTMENT	<u>\$ 1,128,607</u>	<u>\$ 1,068,042</u>

See accompanying notes.

## INTERNAL SERVICE FUND

Internal service funds account for assets held by the City in a trustee or agency capacity. These funds are custodial in nature and do not involve measurement of results of operations.

CITY OF SULPHUR, LA.  
Internal Service Fund  
Comparative Balance Sheet  
June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 1,915,464	\$ 1,609,075
Prepaid expenses	<u>11,347</u>	<u>11,347</u>
TOTAL ASSETS	<u>\$ 1,926,811</u>	<u>\$ 1,620,422</u>
LIABILITIES AND RETAINED EARNINGS		
LIABILITIES		
Claims payable	\$ 75,611	\$ 39,149
RETAINED EARNINGS		
Designated for catastrophic losses	<u>1,851,200</u>	<u>1,581,273</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u>\$ 1,926,811</u>	<u>\$ 1,620,422</u>

See accompanying notes.

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SULPHUR, LA.  
Internal Service Fund  
Comparative Statement of Revenues, Expenses  
and Changes in Retained Earnings  
Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
OPERATING REVENUES		
Charges and fees	\$ 460,169	\$ 462,349
OPERATING EXPENSES		
General and administrative:		
Insurance	45,292	29,060
Claims settlements	183,482	214,590
Administrative costs	<u>5,713</u>	<u>19,131</u>
Total Operating Expenses	<u>234,487</u>	<u>262,781</u>
OPERATING INCOME (LOSS)	<u>225,682</u>	<u>199,568</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest	44,245	78,190
Other income	<u>-</u>	<u>2,581</u>
Total Non-Operating Revenues (Expenses)	<u>44,245</u>	<u>80,771</u>
INCOME BEFORE OPERATING TRANSFERS	269,927	280,339
OTHER FINANCING SOURCES (USES)		
Operating transfers in	<u>-</u>	<u>-</u>
NET INCOME	269,927	280,339
RETAINED EARNINGS – BEGINNING OF YEAR	<u>1,581,273</u>	<u>1,300,934</u>
RETAINED EARNINGS – END OF YEAR	<u>\$ 1,851,200</u>	<u>\$ 1,581,273</u>

See accompanying notes.

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SULPHUR, LA.  
Internal Service Fund  
Comparative Statement of Cash Flows  
Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ 225,682	\$ 199,558
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Miscellaneous income	-	2,581
Increase (decrease) in payables	<u>36,462</u>	<u>(12,667)</u>
Net Cash From Operating Activities	262,144	189,482
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	<u>44,245</u>	<u>78,190</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	306,389	267,672
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>1,609,075</u>	<u>1,341,403</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u>\$ 1,915,464</u>	<u>\$ 1,609,075</u>

See accompanying notes.

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS



GENERAL FIXED ASSETS ACCOUNT GROUP

CITY OF SULPHUR, LA.  
Comparative Schedule of General Fixed Assets – By Source  
June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
GENERAL FIXED ASSETS		
Land and improvements	\$ 2,262,369	\$ 2,360,569
Building	2,495,747	2,495,747
Furniture and equipment	3,258,616	3,328,241
Transportation equipment	2,402,883	2,427,775
Construction in progress	5,255,939	2,392,827
Total General Fixed Assets	<u>15,675,554</u>	<u>13,005,159</u>
INVESTMENT IN GENERAL FIXED ASSETS BY SOURCE		
General and special revenue funds	<u>\$ 15,675,554</u>	<u>\$ 13,005,159</u>

See accompanying notes.

GENERAL LONG-TERM DEBT ACCOUNT GROUP

CITY OF SULPHUR, LA.  
Combining Statement of General Long-Term Debt  
June 30, 2002  
(With Comparative Totals for June 30, 2001)

	<u>Paving Project 1992</u>	<u>Paving Project 1993</u>	<u>Public Improvement Refunding 1993</u>
AMOUNT AVAILABLE AND TO BE PROVIDED FOR THE RETIREMENT OF GENERAL LONG-TERM DEBT			
Amount available in debt service fund for debt retirement	\$ 14,284	\$ 91,677	\$ 2,647,484
Amount to be provided for retirement of general long-term debt	-	-	572,516
Amount to be provided from general government resources	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL AMOUNT AVAILABLE AND TO BE PROVIDED	<u>\$ 14,284</u>	<u>\$ 91,677</u>	<u>\$ 3,220,000</u>
GENERAL LONG-TERM DEBT PAYABLE			
Special assessment debt	\$ 14,284	\$ 91,677	\$ -
Bonds payable	-	-	3,220,000
Accrued compensated absences	-	-	-
Obligation under capital lease	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL LONG-TERM DEBT PAYABLE	<u>\$ 14,284</u>	<u>\$ 91,677</u>	<u>\$ 3,220,000</u>

See accompanying notes.

<u>Paving Projects 1996-1999</u>	<u>Paving Projects 2000</u>	<u>Wastewater Plant</u>	<u>General Resources</u>	<u>2002 Totals</u>	<u>2001 Totals</u>
\$ 181,809	\$ 116,714	\$ 1,014,479	\$ -	\$ 4,066,447	\$ 2,849,692
-	131,998	460,720	-	1,165,234	2,348,529
<u>-</u>	<u>-</u>	<u>-</u>	<u>17,239</u>	<u>17,239</u>	<u>36,391</u>
<u>\$ 181,809</u>	<u>\$ 248,712</u>	<u>\$ 1,475,199</u>	<u>\$ 17,239</u>	<u>\$ 5,248,920</u>	<u>\$ 5,234,612</u>
\$ 181,809	\$ 248,712	\$ -	\$ -	\$ 536,482	\$ 493,221
-	-	1,475,199	-	4,695,199	4,705,000
-	-	-	8,462	8,462	21,224
<u>-</u>	<u>-</u>	<u>-</u>	<u>8,777</u>	<u>8,777</u>	<u>15,167</u>
<u>\$ 181,809</u>	<u>\$ 248,712</u>	<u>\$ 1,475,199</u>	<u>\$ 17,239</u>	<u>\$ 5,248,920</u>	<u>\$ 5,234,612</u>

**SUPPLEMENTAL INFORMATION**

CITY OF SULPHUR, LA.  
Schedule of Operating Transfers  
Year Ended June 30, 2002

	<u>TRANSFERS TO</u>	<u>TRANSFERS FROM</u>
GENERAL FUND		
Special Revenue-Sales Tax	\$ -	\$ 5,221,239
Capital Projects:		
1996/1997 public improvement	601,264	-
Wastewater plant	<u>1,150,000</u>	<u>-</u>
	<u>1,751,264</u>	<u>5,221,239</u>
SPECIAL REVENUE FUND		
General	5,221,239	-
Debt Service:		
Wastewater plant	1,000,000	-
Public improvement 1993	1,746,298	-
Capital Projects:		
1992 public improvement	816,885	-
Enterprise	<u>300,000</u>	<u>-</u>
	<u>9,084,422</u>	<u>-</u>
DEBT SERVICE		
Public improvement 1993:		
Special revenue-Sales tax	-	1,746,298
Wastewater plant		
Special revenue-Sales tax	<u>-</u>	<u>1,000,000</u>
	<u>-</u>	<u>2,746,298</u>
CAPITAL PROJECTS		
1992 public improvement:		
Special revenue-Sales tax	-	816,885
1996/1997 public improvement:		
General	-	601,264
Wastewater plant		
General	-	1,150,000
Enterprise	<u>-</u>	<u>1,300,000</u>
	<u>-</u>	<u>3,868,149</u>
ENTERPRISE FUND		
Capital projects-wastewater plant	1,300,000	-
Special revenue-Sales tax	<u>-</u>	<u>300,000</u>
	<u>1,300,000</u>	<u>300,000</u>
TOTAL TRANSFERS	<u>\$ 12,135,686</u>	<u>\$ 12,135,686</u>

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS



**GRAGSON, CASIDAY & GUILLORY, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

W. GEORGE GRAGSON, C.P.A.  
RICHARD W. CASIDAY, C.P.A.  
RAYMOND GUILLORY, JR., C.P.A.  
GRAHAM A. PORTUS, E.A.  
COY T. VINCENT, C.P.A.

JULIA W. PORTUS, C.P.A.  
MICHELLE BOURNE, C.P.A.  
PAIGE F. BROWNE, C.P.A.  
DAWN REDD, C.P.A.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

October 1, 2002

To the Members of the City Council  
City of Sulphur, Louisiana

We have audited the primary government financial statements of City of Sulphur, Louisiana, as of and for the year ended June 30, 2002, and have issued our report thereon dated October 1, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of Sulphur, Louisiana's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Sulphur, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and the City Council. However, this report is a matter of public record and its distribution is not limited.

*Gragson, Casiday & Guillory*



CITY OF SULPHUR, LA.  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2002

We have audited the primary government financial statements of City of Sulphur, LA. as of and for the year ended June 30, 2002, and have issued our report thereon dated October 1, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2002 resulted in an unqualified opinion.

I. Summary of Auditors' Reports

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_ yes

X no

Reportable condition(s) identified that are

not considered to be material weakness(es)?

\_\_\_ yes

X none reported

Noncompliance material to financial statements  
noted?

\_\_\_ yes

X no

II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

N/A

CITY OF SULPHUR, LA.  
Schedule of Prior Year Audit Findings  
Year Ended June 30, 2002

All prior year findings have been satisfactorily corrected.



**GRAGSON, CASIDAY & GUILLORY, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

03 JAN -8 AM 10:42

W. GEORGE GRAGSON, C.P.A.  
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BRADLEY J. CASIDAY, C.P.A.  
MELONIE H. HIMEL, C.P.A.

## MANAGEMENT LETTER

December 31, 2002

To the Management and the Members  
of the City Council  
City of Sulphur, LA.

We have audited the financial statements of City of Sulphur, LA. as of and for the year ended June 30, 2002, and have issued our report thereon dated October 1, 2002. We conducted our audit in accordance with auditing standards generally accepted in the *United States of America and the standards applicable to financial audits contained in Government Auditing Standards*, issued by the Comptroller General of the United States.

As a part of our examination, we have also issued our report on internal control and compliance with laws, regulations and contracts, dated October 1, 2002.

During the course of our examination, we became aware of the following matter, which represents deviations of compliance with laws and regulations.

### Finding 2002-01:

We have investigated, at the request and direction of the Legislative Auditor, certain personal use issues and unreimbursed personal expenditures that occurred in early 1999.

As a result of our investigation, it was determined that the then Mayor incurred \$694.11 in unreimbursed personal expenditures in a trip to Washington D.C. for the National League of Cities convention in March, 1999. In addition, based on inquiries with City personnel, it was determined that the then Mayor used City vehicles for personal use for a time period from approximately 1993 thru 1999.

We have communicated to the Legislative Auditor in a separate letter dated December 31, 2002 our procedures performed and conclusions that we reached as a result of our investigation.

We recommend that the City review its policies in regard to non-allowance of personal use of City vehicles and to non-allowance of personal expenditures, that such policies be communicated to all personnel and that controls are in place to ensure full compliance.

City of Sulphur, LA  
December 31, 2002  
Page Two

**Management Response:** Policies are in effect to assure against personal use of City vehicles and against personal expenditures, policies have been communicated to all personnel and controls are in place to ensure full compliance.

We recommend that management address the foregoing issue as an improvement to operations and the administration of public programs. We are available to further explain the finding or help implement any recommendations.

*Dragson, Cassidy ; Guillory*